

Company report

Thong Pak Leng

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Rationale for report: Company results

HOLD

(Maintained)

Price **RM0.30**
 Fair Value **RM0.30**
 52-week High/Low **RM0.42/RM0.29**

Key Changes

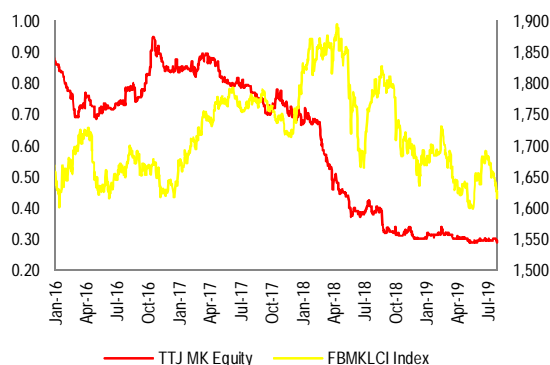
Fair value **↓**
 EPS **↓**

YE to Jun (RM mil)	FY19	FY20F	FY21F	FY22F
Revenue (RM mil)	311.8	332.6	416.2	383.6
Core net profit (RM mil)	34.9	44.1	52.1	54.7
FD Core EPS (sen)	2.6	3.3	3.9	4.1
FD Core EPS growth (%)	-52.8	26.3	18.1	5.0
Consensus Net Profit (RM mil)	-	55.3	56.2	-
DPS (sen)	50.0	25.0	25.0	25.0
PE (x)	11.5	9.1	7.7	7.4
EV/EBITDA (x)	10.9	7.4	6.0	6.1
Div yield (%)	1.7	0.8	0.8	0.8
ROE (%)	2.8	3.5	4.0	4.0
Net Gearing (%)	21.2	11.8	10.5	11.2

Stock and Financial Data

Shares Outstanding (million)	1,268.3
Market Cap (RM mil)	380.5
Book Value (RM/share)	0.93
P/BV (x)	0.3
ROE (%)	3.7
Net Gearing (%)	21.2
Major Shareholders	Titijaya Group Sdn B 58.0% Titi Kaya Sdn. Bhd 5.5% AIA Bhd 4.7%
Free Float	31.8%
Avg Daily Value (RM mil)	0.10

Price performance	3mth	6mth	12mth
Absolute (%)	(3.3)	(7.9)	(23.1)
Relative (%)	2.4	(2.0)	(15.9)



Investment Highlights

- We are maintaining our HOLD recommendation on Titijaya with a lower fair value of RM0.30 from RM0.31 based on a 55% discount (previously 50%) to its RNAV (Exhibit 2).
- We cut our FY20 and 21F forecasts by 12% and 7% to RM44.1mil and RM52.1mil respectively to reflect the timing of revenue recognition. We introduce FY22 net earnings forecasts at RM54.7mil. Our downgrade in earnings and FV is largely to reflect the lower margins for its existing and future launches.
- Titijaya's FY19 net profit of RM22.1mil came in below expectations at only 80% and 70% of our full-year forecast and full-year consensus estimates respectively.
- FY19 revenue and net earnings declined by 18.3% and 52.1% YoY due to the lower recognition and lower progress recognition from the completed H2O and the nearly completed Roseville @ Klang. However, current ongoing projects from Neu Suites @ 3rdNvenue, The Shore @ Kota Kinabalu, The Riv @ Riveria City have also contributed to current financial year earnings.
- Financial leverage remained stable despite a higher net gearing of 27% as compared with 26% YoY.
- On a positive note, the higher unbilled sales of RM475mil (QoQ: RM380mil) together with RM575mil strong new sales achieved in FY19 will provide earnings visibility for the next 2–3 years.
- Overall, Titijaya has lined up RM826mil of new launches (high-rise residential) over the immediate term, with the key selling points being: (1) affordability for units in Phase 1 of Damai Suria @ Bukit Subang @RM300K–450K – GDV RM168mil); and (2) premium locations for units in Riveria, KL Sentral @ RM300K–500K – GDV RM320mil; and Phase 2 of 3rdNvenue @ RM450K–RM1mil – GDV RM338mil.
- Currently, Titijaya has a total landbank of 208 acres, located mainly in Klang Valley with a GDV of RM12.4bil which provides good earnings visibility and will drive the company's growth going forward.
- We expect the property market to remain subdued in the short to medium term with many potential buyers having difficulty in obtaining loans due to their already high debt service ratios.

EXHIBIT 1: EARNINGS SUMMARY

FY 30 Jun (RM mil)	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	QoQ %	YoY %	FY18	FY19	YTD %
Revenue	54.9	67.1	83.1	117.6	44.0	-62.5%	-19.8%	381.4	311.8	-18.3%
Operating costs	(28.3)	(49.1)	(65.0)	(100.3)	(32.0)	-68.1%	13.2%	(266.8)	(246.4)	-7.7%
EBIT	26.7	18.0	18.0	17.3	12.1	-30.2%	-54.8%	114.6	65.4	-42.9%
Net interest	(6.6)	(1.0)	(1.8)	(1.6)	(8.5)	422.5%	29.2%	(11.2)	(12.9)	15.4%
Associates/JV contribution	(0.0)	0.0	(0.0)	(0.0)	0.0	n.a.	n.a.	(0.0)	(0.0)	n.a.
PBT	20.1	17.0	16.3	15.6	3.6	-77.0%	-82.1%	103.4	52.5	-49.2%
Tax	(8.4)	(4.5)	(5.0)	(4.4)	(1.3)	-70.0%	-84.3%	(30.9)	(15.3)	-50.6%
MI	(1.0)	(0.8)	(0.9)	(0.4)	(0.2)	-42.1%	-77.3%	0.4	(2.3)	-694.1%
Net Profit	10.6	11.7	10.3	10.8	2.0	-81.2%	-80.9%	72.9	34.9	-52.1%
Core Net Profit	10.6	11.7	10.3	10.8	2.0	-81.2%	-80.9%	72.9	34.9	-52.1%
EPS (sen)	0.8	0.9	0.8	0.8	0.2			5.4	2.6	
EBIT Margin (%)	48.5%	26.9%	21.7%	14.7%	27.4%			30.0%	21.0%	
CORE Net Profit Margin (%)	19.4%	17.5%	12.4%	9.2%	4.6%			19.1%	11.2%	

Source: Company

EXHIBIT 2: RNAV VALUATIONS

Projects	Outstanding GDV (RMmil)	RNAV (RMmil)	Stake
Current			
H20 Ara Damansara- Block A, B, C, D	586.2	21.7	100.0%
Taman Seri Residensi (Klang) - Phase 2B: Semi D	41.0	3.2	100.0%
3rdNvenue Phase 1: Service suite	513.0	25.9	70.0%
The Shore - Retail, Serviced Residence, Hotel	534.0	29.6	100.0%
Park Residency - 3-storey linked villa	85.0	6.7	100.0%
Future			
3rdNvenue	1,427.0	42.3	70.0%
Riveria City	1,450.0	59.2	70.0%
Damai Suria	1,298.0	49.3	100.0%
Total NPV		237.9	
NTA		1,247.9	
SOP		1,485.8	
Fully-diluted share base (mil shares)		2,209.5	
SOP per share (RM)		0.67	
FV per share (RM) (50% discount to SOP)		0.30	

Source: AmInvestment Bank Bhd

EXHIBIT 3: FINANCIAL DATA

Income Statement (RMmil, YE 30 Jun)	FY18	FY19	FY20F	FY21F	FY22F
Revenue	381.4	311.8	332.6	416.2	383.6
EBITDA	121.6	67.1	76.8	91.9	93.9
Depreciation/Amortisation	(1.7)	(1.7)	(1.8)	(2.3)	(2.1)
Operating income (EBIT)	120.0	65.4	75.0	89.6	91.8
Other income & associates	0.0	0.0	0.0	0.0	0.0
Net interest	(11.2)	(12.9)	(13.7)	(17.2)	(15.9)
Exceptional items	0.0	0.0	0.0	0.0	0.0
Pretax profit	108.8	52.5	61.3	72.4	76.0
Taxation	(30.9)	(15.3)	(17.2)	(20.3)	(21.3)
Minorities/pref dividends	1.4	(2.3)	0.0	0.0	0.0
Net profit	79.3	34.9	44.1	52.1	54.7
Core net profit	79.3	34.9	44.1	52.1	54.7
Balance Sheet (RMmil, YE 30 Jun)	FY18	FY19	FY20F	FY21F	FY22F
Fixed assets	12.0	11.6	12.4	15.5	14.3
Intangible assets	635.1	957.8	1,007.8	1,057.8	1,107.8
Other long-term assets	2.9	1.1	1.1	1.1	1.1
Total non-current assets	650.0	970.5	1,021.3	1,074.4	1,123.2
Cash & equivalent	218.7	137.5	186.4	192.3	198.4
Stock	125.2	202.5	213.7	267.4	239.2
Trade debtors	515.7	549.6	398.6	490.1	455.8
Other current assets	695.4	525.2	525.2	525.2	525.2
Total current assets	1,555.1	1,414.8	1,323.8	1,474.9	1,418.7
Trade creditors	304.1	535.8	565.2	707.3	632.8
Short-term borrowings	148.0	97.7	97.7	97.7	97.7
Other current liabilities	73.6	87.2	93.0	116.4	107.3
Total current liabilities	525.6	720.7	755.9	921.4	837.8
Long-term borrowings	398.4	377.8	261.6	251.5	276.2
Other long-term liabilities	31.7	32.3	32.3	32.3	32.3
Total long-term liabilities	430.1	410.0	293.8	283.8	308.5
Shareholders' funds	1,246.1	1,249.9	1,290.7	1,339.5	1,390.8
Minority interests	3.3	4.7	4.7	4.7	4.7
BV/share (RM)	0.93	0.93	0.96	1.00	1.03
Cash Flow (RMmil, YE 30 Jun)	FY18	FY19	FY20F	FY21F	FY22F
Pretax profit	108.8	52.5	61.3	72.4	76.0
Depreciation/Amortisation	1.7	1.7	1.8	2.3	2.1
Net change in working capital	(437.6)	251.1	175.1	20.2	(21.1)
Others	(16.0)	(34.8)	0.7	2.9	(1.1)
Cash flow from operations	(343.1)	270.4	238.9	97.8	55.9
Capital expenditure	(0.8)	(0.5)	(0.5)	(0.6)	(0.6)
Net investments & sale of fixed assets	(70.9)	(35.4)	0.0	0.0	0.0
Others	(43.9)	(213.9)	(50.0)	(50.0)	(50.0)
Cash flow from investing	(115.6)	(249.8)	(50.5)	(50.6)	(50.6)
Debt raised/(repaid)	163.2	(70.5)	(165.1)	(15.9)	18.5
Equity raised/(repaid)	423.7	0.0	0.0	0.0	0.0
Dividends paid	(3.6)	(9.0)	(3.4)	(3.4)	(3.4)
Others	(64.3)	(5.1)	64.4	(22.0)	(14.3)
Cash flow from financing	518.9	(84.5)	(104.1)	(41.3)	0.9
Net cash flow	60.1	(63.9)	84.4	5.9	6.2
Net cash/(debt) b/f	79.7	134.4	70.5	154.9	160.7
Net cash/(debt) c/f	139.8	70.5	154.9	160.7	166.9
Key Ratios (YE30 Jun)	FY18	FY19	FY20F	FY21F	FY22F
Revenue growth (%)	0.2	(18.3)	6.7	25.1	(7.8)
EBITDA growth (%)	5.0	(44.8)	14.5	19.6	2.3
Pretax margin (%)	28.5	16.8	18.4	17.4	19.8
Net profit margin (%)	20.8	11.2	13.3	12.5	14.3
Interest cover (x)	49.2	31.9	10.7	5.1	5.5
Effective tax rate (%)	28.4	29.1	28.0	28.0	28.0
Dividend payout (%)	8.5	19.2	7.6	6.4	6.1
Debtors turnover (days)	493.5	643.4	437.5	429.9	433.7
Stock turnover (days)	143.5	191.8	228.4	211.0	241.0
Creditors turnover (days)	298.3	491.5	604.2	558.0	637.5

Source: Company, AmInvestment Bank Bhd estimates

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